

Rental Vehicle Insurance

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Individuals frequently rent vehicles for personal use while on vacation, as a substitute for an owned auto that's out of commission for repair or service, or for business use when a vehicle is rented for employer related business activities. Unfortunately when an employee rents a vehicle for business use the auto rental contract is very often executed in the name of and signed by the individual employee. Even if the employee uses a company credit card, individual liability exposure exists for the employee that may affect his or her personal auto insurance policy.

More complicated and one-sided rental car contracts have resulted in auto insurance companies limiting the type of coverage, which the personal auto insurance policy will provide to an insured person when they rent a car. Each rental car company has their own specific contact with complicated verbiage and based on this verbiage has become in most cases a contract whereby the person renting the car is assuming "ALL" liability for the vehicle.

Now when an insurance agency is asked a question, will my personal auto insurance policy cover me fully if I rent a car the answer typically can not be a straight yes or no. Unfortunately the most accurate answer can only be maybe and in some situations no. The current auto insurance policies may not cover many things, which signing most rental car agreements obligates you for.

Liability Exposures - The typical rental situation creates three different exposures for the renter: (1) third-party liability to persons who are injured or whose property is damaged as a result of the negligence of the renter, (2) contractual liability created by the rental agreement in which typically the renter agrees to indemnify and hold harmless the rental agency for claims brought by third parties, and (3) liability for damage to the rental vehicle arising either from the renter's negligence or through that part of the rental agreement in which the renter agrees to return an undamaged vehicle to the rental agency. Some rental agreements hold the renter responsible for fire and theft damage to the vehicle, and a few agreements even hold the renter responsible for damage caused by weather-related perils such as hail or flood. In addition to the actual damage, most rental agreements hold the renter responsible for loss of use of the vehicle and other charges such as appraisals and loss adjustment expenses. Some agreements also make the renter responsible for the replacement cost of the vehicle or the diminished value of the auto even after repairs are made.

Important Policy Provisions - Generally, coverage for the use of a rental vehicle is found in the liability section of the personal auto insurance policy and typically provides protection for the named insured and any resident family members while using any auto. Since the word auto is defined in most personal auto insurance policies, coverage typically applies when renting any type or size of vehicle defined as an auto rented for personal use in your personal auto insurance policy. The definition of auto usually eliminates coverage for larger trucks and vans and off road type vehicles. If you rent a pickup, van, utility vehicle, or truck for business purposes the personal auto insurance policy typically does not cover any liability arising out of its use unless the rental vehicle is a temporary substitute as defined by the policy.

Third-Party Liability - If the renter causes an accident, primary liability coverage for the injury or damage suffered by the other party may be found either on the rental company's liability insurance policy and/or self-insured coverage or on the renter's personal auto insurance policy. Some rental companies provide primary liability protection for the renter (usually only the minimum limits required by law - \$30,000/\$60,000/\$25,000 in Texas) and expect renters to provide their own protection in excess of those limits. Some rental companies provide no liability at all for the renter and expect the renter to be responsible for all third-party liability.

Contractual Liability - The personal auto insurance policy typically does not exclude liability assumed in an agreement. The personal auto insurance policy's insuring agreement typically says the company will pay damages for bodily injury or property damage for which the insured becomes legally responsible for because of an auto accident. Because the hold harmless provision in the typical rental contract requires the renter to be legally responsible for bodily injury or property damage claimed against the rental company as the result of an accident, the personal auto insurance policy may cover this assumption of liability.

Damage to the Rented Vehicle - Exclusions in the personal auto insurance policy liability section typically excludes damage to property rented to or used by or in the care of the insured. An exception to that exclusion typically exists in many personal auto insurance policies, which may eliminate application of the exclusion to damage to a private passenger auto, trailer, pickup or van. Therefore, any property damage to a rented vehicle may be covered with no deductible. However any other items the rental car company may hold the renter responsible for in the rental agreement such as loss of use, charges such as appraisals and loss adjustment expenses, diminished value of the damaged rental car or other damages claimed by the rental company may not be covered by a personal auto insurance policy. Because the exception is typically limited to private passenger auto, trailers, pickups and vans, however, there usually is no coverage for damage to a rented truck larger than a pickup or van used for any purpose such as a large U-Haul truck the insured might rent to move household belongings. Another concern may be the limit for property damage liability on your personal auto insurance policy. If you have a property damage limit of only \$25,000 that may not be sufficient to cover most autos being rented today

Should you buy the liability and damage waiver coverage offered by the rental company? This is a personal decision for each person to determine. Whether someone should buy the rental car company insurance depends greatly on his or her tolerance for risk and inconvenience. The damage waiver coverage offered by rental companies typically relieves the renter of any liability for damage to the vehicle as long as the terms of the rental agreement are not breached concerning use of the vehicle. If the renter

buys the damage waiver coverage, they can bring a damaged rental car back to the rental company, throw the keys on the counter, and walk away. Are you willing to pay a few more dollars per rental day to do just that? If the renter doesn't buy the waiver, the rental company will probably run up an estimated damage amount on your credit card, pending notification of and settlement by your insurance company. If you can't tolerate the potential hassle and potential out of pocket costs, then you should buy the damage waiver coverage from the rental car company.

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